

Agricultural Policy & the Farm Bill

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Agricultural & Food Policy Center (AFPC)**

2019 Row Crop Short Course

Starkville, MS

December 4, 2019

Bipartisan Budget Act of 2018

Cotton:

- Established seed cotton as a covered commodity.

Dairy:

- Premiums reduced on first 5 million pounds of production.
- Eliminated cap on livestock expenditures for crop insurance.

Disaster Programs:

- Created the Wildfires and Hurricanes Indemnity Program (WHIP).
- Eliminated spending cap on Emergency Assistance for Livestock, Honeybees, and Farm Raised Fish Program (ELAP).
- Eliminated dollar-based payment limits on the Livestock Indemnity Program (LIP) and the Tree Assistance Program (TAP).

2018 Farm Bill: Farm Policy

Election of ARC or PLC

- Producers can choose between ARC and PLC for each covered commodity on a farm **jointly** for the 2019/2020 crop years and then **annually** beginning in crop year 2021.
- Note on ARC-IC: if 100% of the farm was approved for “prevented from planting all intended planted covered commodities” by FSA, the farm meets the prevented planting exception and those acres will be included in the benchmark and actual year revenue calculations (with zero production used to calculate current year revenue).

Quick Aside: STAX vs ARC/PLC

“Beginning with the 2019 crop year, a **farm** shall not be eligible for **[STAX]** for upland cotton for a crop year for which the **farm** is **enrolled** in coverage for **seed cotton** under [PLC] or [ARC].”

Scenario: plant 160 acres of cotton on a farm with 80 acres of soybean base and 80 acres of peanut base.

One Option: producer can purchase STAX on 160 acres of cotton and enroll all 160 acres of soybean/peanut base in ARC/PLC.

PLC Payment Yield Update

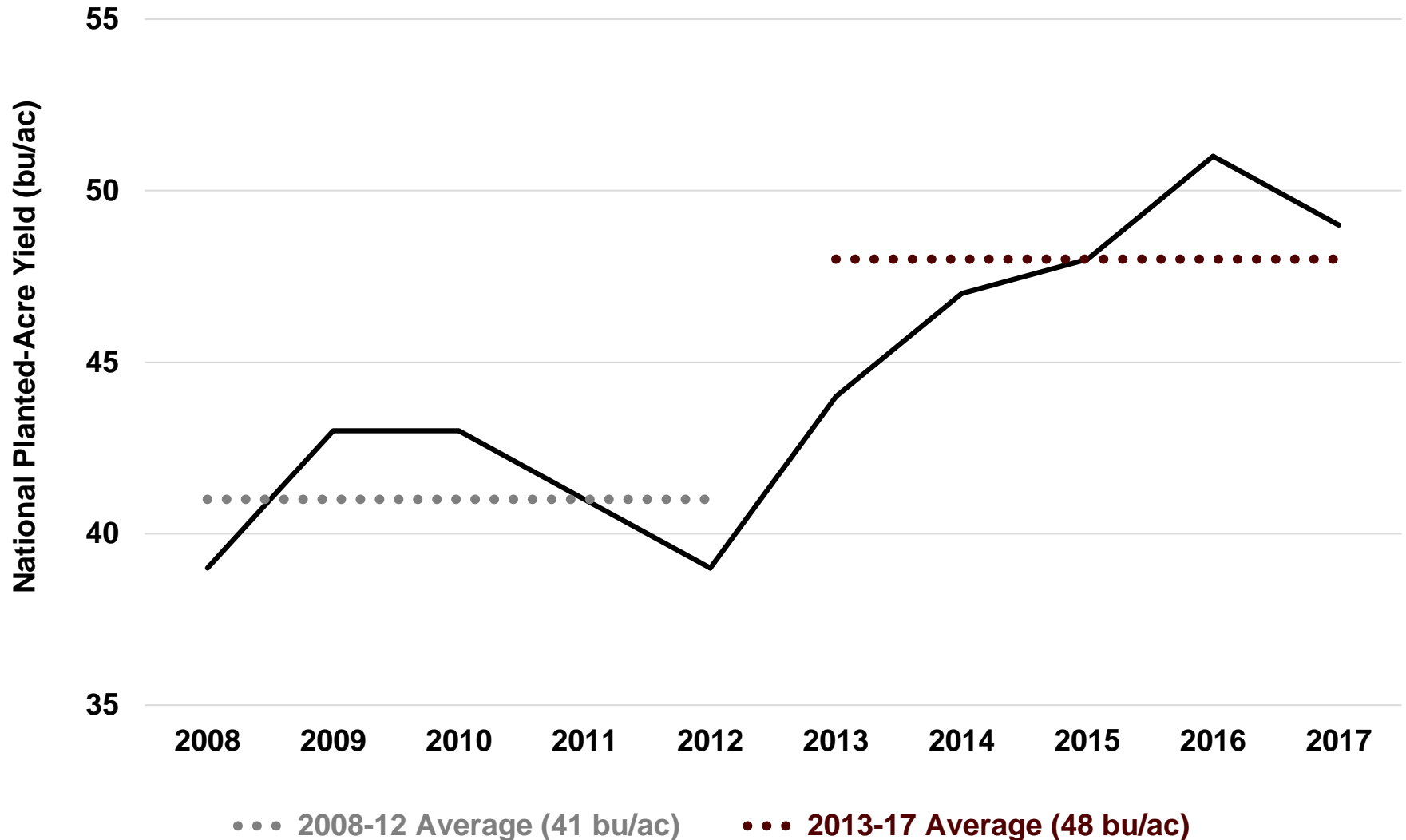
- Owner of the farm has 1-time opportunity for each covered commodity effective for the *2020 crop year*
- Updated Yield = 90% x

average of the 2013-2017 yield per planted acre (excluding any year the commodity was not planted) x

(2008-2012 national average yield per planted acre for the commodity/2013-2017 national average yield per planted acre for the commodity) (Note: this ratio can not be less than 90% or more than 100%)

NOTE: Actual farm yields less than 75% of the average of county yields for those years can be replaced with 75% of the average of the 2013-2017 county yields for that commodity.

PLC Payment Yield Update (Soybean Example)



PLC Payment Yield Update

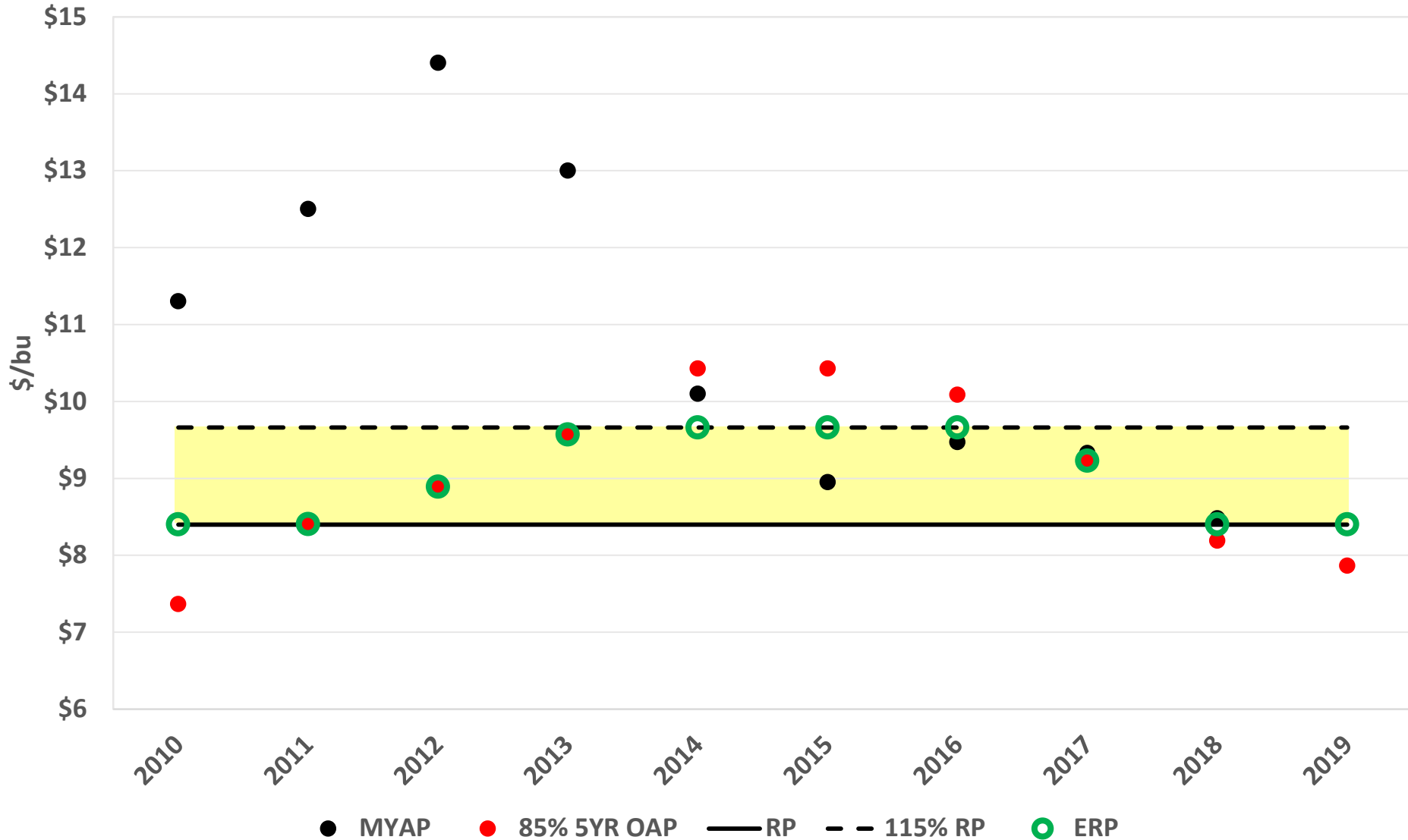
Commodity	Factor
Barley	0.9437
Canola	0.9634
Chickpeas (Large)	1.0000
Chickpeas (Small)	0.9760
Corn	0.9000
Crambe	1.0000
Dry Peas	0.9988
Flaxseed	1.0000
Grain Sorghum	0.9077
Lentils	1.0000
Mustard	0.9460
Oats	0.9524

Commodity	Factor
Peanuts	0.9273
Rapeseed	1.0000
Rice (LG)	0.9330
Rice (MG/SG)	0.9887
Rice (TJ)	0.9591
Safflower	1.0000
Seed Cotton	0.9000
Sesame Seed	0.9673
Soybeans	0.9000
Sunflower Seed	0.9396
Wheat	0.9545

Effective Reference Prices

- Statutory Reference Prices can increase up to 15% if 85% of the 5-year Olympic average of the most recent marketing year average prices is greater than the Statutory Reference Price.
- This updated reference price is known as the Effective Reference Price.

Effective Reference Prices (Soybean Example)



Agriculture Risk Coverage (ARC) Provisions

- Mandates the use of RMA data as the primary data source.
- Beginning in 2019, ARC payments for a farm # will be based on the physical location of the farm rather than the administrative county.
- For the 2019-2023 crop years, 80% of the transitional yield can be used to replace low yields.
- The Secretary shall calculate and use a trend-adjusted yield factor to adjust the yields (not to exceed the factor used by RMA).
- The Secretary shall calculate separate actual crop revenue and ARC guarantees for irrigated and non-irrigated crops.
- Effective reference prices replace low prices in calculations.

Base/Payment Acres

- **2002 Farm Bill:** optional base/yield update.
- **2008 Farm Bill:** no change for the Direct & Counter-Cyclical Program (DCP). By contrast, the Average Crop Revenue Election (ACRE) Program paid on planted acres (not to exceed total base on the farm).
- **2014 Farm Bill:** reallocation in proportion to acres of covered commodities planted from 2009-2012. *Exception: upland cotton base acres all converted to generic base acres.*
- **2018 (Bipartisan Budget Act):** on farms with generic base and no covered commodities planted from 2009-2016, those generic base acres became unassigned crop base. Otherwise, generic base acres eliminated beginning with the 2018 crop year and producers given two options for converting to seed cotton.

Base/Payment Acres

- **2018 Farm Bill:** in the case of a farm on which all of the cropland was planted to grass or pasture (including cropland that was idle or fallow), as determined by the Secretary, during the period beginning on January 1, 2009, and ending on December 31, 2017, the Secretary shall maintain all base acres and payment yields for the covered commodities on the farm, except that no payment shall be made with respect to those base acres under section 1116 or 1117 for the 2019 through 2023 crop years.

Suspended acres are eligible for \$18/acre/year in a CSP Grasslands Conservation Initiative contract.

Means Testing, Actively Engaged Rules & Payment Limits

- **Means Testing:** participation continues to be limited to persons or entities with less than \$900,000 in average adjusted gross income (AGI).
- **Actively Engaged Rules:** the 2018 Farm Bill amends the definition of family to include first cousins, nieces, and nephews, thereby exempting them from the requirements for non-family operations authorized in the 2014 Farm Bill.
- **Payment Limits:** maintains the current payment limitation of \$125,000 in assistance from ARC/PLC per person or entity. The separate limit for peanuts is maintained and doubling for spouses continues to apply. The 2018 Farm Bill removes Loan Deficiency Payments (LDPs) and Marketing Loan Gains (MLGs) from counting toward the payment limit.

2018 Farm Bill Signup

- Dairy Margin Coverage
 - Signup started June 17, 2019.
 - Deadline extended to September 27, 2019.
- Agriculture Risk Coverage (ARC) and Price Loss Coverage (PLC)
 - 2019/2020 crop year **election** began September 3, 2019 and ends March 15, 2020.
 - 2019 crop year **enrollment** began September 3, 2019 and ends March 15, 2020.
 - 2020 crop year **enrollment** began October 7, 2019 and ends June 30, 2020.

2018 Farm Bill: Decision Aid

2018 Farm Bill Decision Aid

- Decision aid includes:
 - Payment Yield Update (starting with the 2020 crop)
 - ARC vs. PLC Election (2019 and 2020)
 - Effective Reference Prices
 - Yield plugs
 - Trend-adjusted yields (ARC)
 - Payment yield update (PLC)
 - Optional override of 2019/2020 actual county yields (ARC)
- Decision aid does **not** include:
 - Payment Limits
 - Sequester
 - Potential interactions with crop insurance
 - ARC-Individual Coverage

2018 Farm Bill Decision Aid

The Agricultural & Food Policy Center

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Our mission

To provide unbiased and objective economic analysis of the impacts for policy alternatives on stakeholders.

Current Projects

[2018 Farm Bill Decision Aid](#)



Agricultural Policy Specialist Dr. Joe Outlaw and colleagues from the Agricultural and Food Policy Center provide brief weekly updates on current agricultural policy issues. See the [list of podcasts](#) available now.

Representative Farms - The AFPC maintains a database of agricultural operations representing the major agricultural production regions of the country. These operations are used in policy research analysis. The representative farms are updated every two years using face to face panel interviews. Types of operations include cotton, rice, feed grain, and wheat farms, cattle ranches, and dairies. Contact: [George Knapek](#)

The excel file for the Marketing Year Average Prices for Grains can be found [here](#)

Recent Publications

[State and Regional Impacts of a Nationwide Mandatory Base A](#)
[Producer Choices for the Seed Cotton Program: An Examination](#)
[Seed Cotton Decision Aid Efforts](#)

[Representative Farms Economic Outlook for the January 2019](#)
[Baseline](#)

[A Simple Model of Farm Bankruptcies](#)

[Economic Impacts of the Safety Net Provisions in the Agriculture](#)
[Coverage Improvement and Innovation Act \(S. 2749\) on AFPC](#)
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2018 Farm Bill Decision Aid

2018 Farm Bill Decision Aid

Disclaimer

This is an educational tool to help you understand how your choices under the 2018 Farm Bill may affect your FSA payments. The calculations are based on our understanding of the new programs as described by the USDA regulations.

By using this tool, you 1) agree that the results are for educational purposes only; 2) agree that the results are not a guarantee of your future FSA program parameters or payments, and 3) acknowledge that this tool is provided with absolutely no warranty, without even the implied warranty of fitness for a particular purpose.

I accept

2018 Farm Bill Decision Aid

2018 Farm Bill Decision Aid

To retrieve your saved farms, you must first

[→ Login](#)

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To retrieve your saved farms, you must first

[Login](#)

To create an account, just enter an email address and password. ✕

Email Address

Password

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Select a farm to edit or analyze.

This tool assists you in evaluating the payment yield update and ARC/PLC decision for each crop on each of your FSNs. You only need to enter the crops that you want to analyze.

My Farm Units

[+ New Farm](#)

FSN	State	County	Crop
1234	Texas	Collin	Corn

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Farm Unit

FSN 1234

State Texas

County Collin

Crop Corn

[Edit](#)

Edit this farm unit

[Add Another Crop](#)

Create another farm unit, starting with this farm's information.

[Delete](#)

Delete this farm unit and all its data.

Decision Aids

[Payment Yield Update Tool](#)

To evaluate a potential update for your 2020 PLC Payment Yield, begin with the Payment Yield Update Tool (recommended).

[Expected Payments Tool](#)

This decision aid characterizes probabilities of different levels of expected FSA payments. If you already have your 2020 PLC Payment Yield or if you prefer to only evaluate potential ARC/PLC payments, you may go directly to the Expected Payments Tool.

2018 Farm Bill Decision Aid

Advanced Settings (Not recommended for most users)

If you have experienced exceptional circumstances in your county or would like to customize your analysis, check here to enable additional settings.

Assumed County Yields

If you provide a value here, it will be used for calculating ARC payments for all trials in your simulations. Only the price will be simulated in your calculations.

Corn	2019	2020
	<input type="text" value="82"/> bu/ac	<input type="text" value="82"/> bu/ac

 Recalculate

Crop	Program	2019	2020	Total
Corn	PLC	\$1,826	\$2,785	\$4,611
Corn	ARC	\$2,396	\$2,252	\$4,648

Do you have a few moments? Take our quick

 Survey

Using the Decision Aid

- We are working on options for printing summary results.
- If you need help for any reason call:

979-845-5913

- You can ask for me but just ask for help with the decision aid.

Current Legislative Activity

116th Congress

- **U.S.-Mexico-Canada Agreement (USMCA):** signed by President Trump on November 30, 2018, but awaiting consideration in the House.
- **Commodity Futures Trading Commission (CFTC) Reauthorization:** the House Ag Committee has passed but awaiting action in the full House.
- **U.S. Grain Standards:** authorization expires September 30, 2020.
- **Mandatory Price Reporting for Livestock:** authorization expires September 30, 2020.
- **Oversight of Farm Bill Implementation**

Thanks!!!

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